

Message Text

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17

ACTION EA-14

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-03 H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-03 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 OMB-01 SWF-02

FEA-02 NSCE-00 SAM-01 SAJ-01 XMB-07 DRC-01 /181 W

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R 270745Z SEP 74

FM USLO PEKING

TO SECSTATE WASHDC 2468

INFO AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRD, EAGR, CH, US

SUBJECT: FURTHER POSTPONEMENT OF US WHEAT SHIPMENTS TO PRC

REF: PEKING 1666

1. COOK GRAIN REP JACQUES LANG (REFTEL) DEPARTED FOR HOME SEPTEMBER 27. IN BRIEF PHONE CONVERSATION WITH USLO BEFORE LEAVING HE PROVIDED FOLLOWING REPORT ADDITIONAL TO REFTEL ON HIS ACTIVITIES IN PEKING DURING PAST TWO WEEKS.

2. DEFERRED WHEAT SHIPMENTS - LANG REACHED AGREEMENT WITH THE CHINA NATIONAL CEREALS, OILS AND FOODSTUFFS IMPORT AND EXPORT CORPORATION (CEROILFOOD) ON A NEW DELIVERY SCHEDULE FOR THE 700,000 TONS OF US WHEAT WHICH COOK HAS AGREED TO SUPPLY CEROILFOOD UNDER PAST CONTRACTS BUT HAS NOT SHIPPED. UNDER THE NEW ARRANGEMENT, COOK WILL DELIVER ONLY FOUR MORE SHIPLOADS IN 1974. OF THE REMAINING AMOUNT (WHICH WE ESTIMATE TO BE IN THE VICINITY OF 600,000 TONS), ONE-THIRD WILL BE DELIVERED BETWEEN JANUARY AND JUNE 1975, AND TWO-THIRDS WILL BE DELIVERED IN THE

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SECOND HALF OF THE YEAR.

3. LTL - IN HIS FINAL TALKS WITH CEROILFOOD, LANG RECEIVED ASSURANCES THAT THE CHINESE WILL TAKE A MORE LENIENT ATTITUDE TOWARD ANY FUTURE LTL-AFFECTED US WHEAT SHIPMENTS THAN THEY HAVE IN THE CASE OF TCK. LANG WAS RELIEVED TO HEAR THIS AND ATTRIBUTED IT TO THE FACT THAT LTL IS KNOWN TO EXIST IN CHINA, WHILE TCK IS NOT KNOWN TO BE PRESENT IN THE PRC.

4. AUSTRALIAN WHEAT BOARD (AWB) COMING - LANG BELIEVES AWB REPS WILL BE ARRIVING IN PEKING BETWEEN OCTOBER 5 AND 10 TO NEGOTIATE WHEAT DELIVERIES FOR NEXT YEAR UNDER AWB'S LONG TERM CONTRACT WITH THE PRC. WE HAVE QUERIED OUR AUSTRALIAN COLLEAGUES AND THEY INDICATE THAT THIS TIME SCHEDULE IS "ABOUT RIGHT."

5. COMMENT: SINCE WE DO NOT KNOW COOK'S ORIGINAL DELIVERY SCHEDULE FOR THE ABOVE MENTIONED 700,000 TONS, WE CANNOT PREDICT THE EXACT IMPACT OF THE RESCHEDULING OF SHIPMENTS ON 1974 SINO-US TRADE FIGURES. HOWEVER, CONSIDERING THIS NEW DEVELOPMENT TOGETHER WITH THE REPORTED POSTPONEMENT UNTIL NEXT YEAR OF 450,000 TONS OF WHEAT WHICH DREYFUS HAD BEEN SCHEDULED TO START DELIVERING THIS FALL (REFTEL), WE WOULD GUESS THAT SINO-US TRADE IN WHEAT WILL BE AT LEAST \$100 MILLION LESS IN 1974 THAN HAD BEEN ANTICIPATED. ADDED TO THE RECENT HALT IN US SOYBEAN DELIVERIES, THE REDUCTION IN WHEAT SHIPMENTS THIS YEAR WOULD CAUSE US EXPORTS TO CHINA IN 1974 TO FALL AT LEAST \$200 MILLION SHORT OF EARLIER PROJECTIONS. WE WOULD BE INTERESTED IN RECEIVING FROM THE DEPARTMENT A REVISED ESTIMATE OF 1974 SINO-US TRADE IN VIEW OF THESE RECENT DEVELOPMENTS. HOLDRIDGE

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